

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 671 - SB 654

February 19, 2009

SUMMARY OF BILL: Prohibits the Tennessee Education Lottery Corporation (TELC) from operating lottery games in which winners are selected or determined by a computerized program, excluding instant ticket lottery games and multi-state games (Powerball).

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – Decreases net lottery proceeds earmarked for scholarships and grants by amounts estimated to be no more than \$2,150,000 per year.

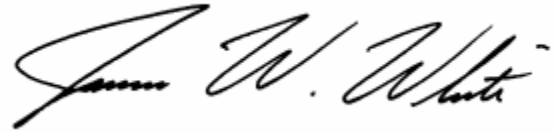
Assumptions:

- Currently, the TELC offers six types of lottery games: instant games, Powerball, Cash 3, Cash 4, Pick 5, and Lotto Plus. Of these six games, four determine winners by computerized programs: Cash 3, Cash 4, Pick 5, and Lotto Plus.
- If prohibited from using computerized programs as a result of this bill, the TELC will return to televised numbered ball drawings for Cash 3, Cash 4, Pick 5, and Lotto Plus.
- According to information presented by the TELC to the Lottery Oversight Committee on December 10, 2007, the corporation would have incurred \$4,811,115 in additional annual operating expenses to renew contracts with six television stations (WKRN, WREG, WBIR, WTVC, WKPT, and WBBJ) for televised numbered ball drawings of three games (Cash 3, Cash 4, and Pick 5).
- Given the TELC's decision to negotiate exclusively with television stations the corporation already had current contracts with, and the decision to not solicit other competitive bids from other television stations, there would seem to be a reasonable probability the corporation could have secured more favorable terms with other stations if it had solicited other competitive bids. To that end, we estimate that TELC expenditures would have increased no more than \$2,000,000 if a competitive bid process had been undertaken.

- Based on information provided by TELC last year for a similar bill, and a confirmation of such information by TELC for this bill, the corporation would have incurred up to \$150,000 per year in additional operating expenses if it had been required to conduct numbered ball drawings for Lotto Plus (a game that was subsequently introduced in March 2008).
- The increase to total operating expenses for the TELC to begin conducting televised numbered ball drawings for four games is estimated to be no more than \$2,150,000 per year (\$2,000,000 + \$150,000).
- Increases to TELC operating expenses causes a proportional decrease to net lottery proceeds estimated to be no more than \$2,150,000 per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in cursive script, reading "James W. White".

James W. White, Executive Director

/rnc